

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:5230

ANSWERED ON:29.04.2005

NPA OF COOPERATIVE BANKS

Chowdhury Shri Adhir Ranjan;Nikhil Kumar Shri

Will the Minister of FINANCE be pleased to state:

- (a) whether RBI has prescribed additional provisioning requirements for NPAs of State and District Co-operative Banks;
- (b) if so, the details thereof;
- (c) whether NPAs of cooperative banks have been mounting day by day; and
- (d) if so, the strategies to be adopted to check such NPAs of cooperative banks in the country?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM):

(a) and (b) Additional provisioning requirement for NPAs was prescribed by RBI for State Cooperative Banks (SCBs)/ District Central Cooperative Banks (DCCBs) vide RBI circular dated December 30, 2002, with a extension of 90 days norms to them for recognition of loan impairment from the year ending March 31, 2006, so as to facilitate smooth transition to the 90 days norm from the existing 180 days. The prudential norms pertaining to State Government guaranteed exposures i.e. advances and investments, were reviewed and instructions were issued to SCBs/DCCBs vide RBI circular dated January 20, 2005, to delink the requirement of invocation of State Government guarantee for Asset classification and provisioning in respect thereof and subject them to the same norms as applicable to exposures not guaranteed by the State Government. Further, graded additional provisioning according to the age of NPAs in 'doubtful for more than 3 years' category has been introduced for SCBs/DCCBs, with effect from April 01, 2007.

(c) Based on the records of the Statutory Inspection conducted by NABARD, the level of NPAs of SCBs/DCCBs has been observed to be mounting.

(d) As regards SCBs/DDCBs, NABARD has issued a comprehensive guidelines for NPA Management which, inter-alia, includes loan recovery policy and its effective implementation, setting up of recovery cells, strengthening Credit Management System, time bound plan for reduction of NPAs, filing of claims with courts in respect of willful defaulters, besides, preventive measures, for example proper credit appraisal and management, quick diagnosis and remedial measures of potential and borderline NPA accounts. Adherence to these guidelines/instructions by Cooperative Banks are periodically monitored by NABARD during regular Statutory Inspection and through off-site surveillance system.